

## Message Text

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ACTION EA-09

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INR-07 L-03 NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15

USIA-06 IO-13 AID-05 SAJ-01 TRSE-00 OMB-01 ACDA-07

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P R 090800Z JUL 76

FM AMEMBASSY TOKYO

TO SECSTATE WASHDC PRIORITY 0694

INFO AMCONSUL HONG KONG

AMEMBASSY MOSCOW

USLO PEKING

AMEMBASSY SEOUL

C O N F I D E N T I A L SECTION 1 OF 2 TOKYO 10382

E.O. 11652: XGDS-1

TAGS: PFOR, EEWT, JA, KN, KS, UR, CH, US

SUBJECT: FONOFF APPRAISAL OF NORTH KOREAN POLICY

SUMMARY: IN FONOFF EYES, SUCCESS OF NORTH KOREA'S DIPLOMATIC OFFENSIVE HAS BEEN OFFSET BY PYONGYANG'S ILL-CONCEIVED ATTEMPTS TO UNDERMINE SOUTH KOREA'S ECONOMY AND BY ITS OWN FAILURE IN FOREIGN ECONOMIC RELATIONS. WHILE KIM IL SUNG MAY SURMOUNT CURRENT FOREIGN TRADE DIFFICULTIES, PYONGYANG'S ONLY REAL HOPE FOR REVERSING ITS ECONOMIC FORTUNES IS THROUGH A BAILOUT BY MOSCOW. TO OBTAIN SOVIET SUPPORT, KIM WOULD HAVE TO MORTGAGE NORTH KOREAN POLICIES HEAVILY TO THE RUSSIANS. QUESTION OF WHETHER MOSCOW WOULD USE ITS ACQUIRED LEVERAGE TO URGE MODERATION ON PYONGYANG OR TO MAINTAIN OR HEIGHTEN CONFRONTATION ON THE PENINSULA IS EXPECTED BY FONOFF TO BE FUNCTION OF US-USSR RELATIONS. THOUGH NORTH KOREA MIGHT GAIN RESPITE BY A RUSSIAN BAILOUT, IN THE LONGER RUN THE ECONOMIC GAP IN SOUTH KOREA'S FAVOR WILL BECOME INCREASINGLY CLEAR AND PYONGYANG'S

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PROBLEMS WILL LIKELY BECOME MORE CRITICAL.

PROSPECTS ARE NOT IMMEDIATELY ENCOURAGING;  
NORTH-SOUTH TALKS ARE DEAD; THOUGH SOUND AND  
TACTICALLY WISE, SECY KISSINGER'S PROPOSALS HAVE  
LITTLE CHANCE OF REALIZATION SO LONG AS THE DEEP RIFT  
CONTINUES BETWEEN MOSCOW AND PEKING. UNDER THESE  
CIRCUMSTANCES, FONOFF CONCLUDES JAPAN AND WE APPEAR  
TO HAVE LITTLE CHOICE BUT TO SUPPORT THE ROK AND WAIT  
FOR NEW LEADERSHIP. IN INTERIM, GOJ POSITION  
HAS BEEN STRENGTHENED BY NORTH KOREA'S POOR ECONOMIC  
PERFORMANCE, FIRING FONOFF RESOLVE TO FIGHT  
AGAINST A HOSTILE UNGA RESOLUTION. END SUMMARY.

1. NORTH KOREA'S KIM IL SUNG HAS ENJOYED PERHAPS  
ILLUSORY SUCCESS IN HIS TWO-PRONG FOREIGN POLICY  
FOLLOWED IN PAST FEW YEARS, ACCORDING TO ASSESSMENT  
GIVEN US BY FONOFF NE ASIA DIVDIR ENDO. KIM'S  
TWO-PRONG POLICY ATTEMPTS TO: (A) ISOLATE  
THE ROK DIPLOMATICALLY, PRIMARILY THROUGH  
CULTIVATION OF THE NON-ALIGNED, AND (B) WEAKEN AMERICAN  
AND JAPANESE SUPPORT, PARTICULARLY ECONOMIC SUPPORT,  
FOR THE ROK. PYONGYANG HAS BEEN HIGHLY SUCCESSFUL ON  
THE DIPLOMATIC FRONT: DIPLOMATIC RELATIONS WITH OTHER  
STATES HAVE EXPANDED RAPIDLY AND NORTH BUT NOT SOUTH  
KOREA WAS ADMITTED TO THE NON-ALIGNED CAUCUS,  
YEILDING A RICH CROP OF AUTOMATIC SUPPORT FOR PYONGYANG.  
(AS RESULT, FOR FIRST TIME, THE PRO-PYONGYANG  
RESOLUTION PASSED IN THE 30TH UNGA).

2. UNDERMINING US AND JAPANESE SUPPORT FOR THE  
ROK HAS PROVEN MUCH MORE DIFFICULT, BECAUSE THE  
DPRK GREATLY UNDERESTIMATES THE ROK'S ORGANIC  
VITALITY AND ATTRACTIVENESS AS A LOCUS FOR  
FOREIGN PRIVATE INVESTMENT. PYONGYANG REGARDS  
THE ROK AS POLITICALLY AND ECONOMICALLY A HOTHOUSE  
FLOWER, WHOLLY DEPENDENT OF EXTERNAL PROPS. IT  
CANNOT ADMIT THE NOTION THAT FOREIGN CAPITAL WOULD  
FLOW INTO SOUTH KOREA EXCEPT AS THE CONSEQUENCE  
OF POLITICAL DECISIONS BY "REACTIONARY GOVERNMENT  
AND BIG BUSINESS CIRCLES" ACTING IN COLLUSION.  
IT BELIEVES, FURTHER, THAT IF "THE MASSES" IN US  
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AND JAPAN CAN BE AROUSED AGAINST ROK, NOT ONLY  
WILL THE TWO NATIONS BE MORE CAUTIOUS IN EXTENDING  
POLITICAL SUPPORT, BUT ALSO THAT FOREIGN PRIVATE  
CAPITAL WILL DRY UP AND THE ROK ECONOMY COLLAPSE.  
TO THIS END, IN JAPAN PYONGYANG HAS USED CHOSOREN  
(PRO-PYONGYANG KOREAN RESIDENTS' LEAGUE), THE NAIVE  
JAPANESE PRESS, AND SYMPATHETIC DIETMEN TO BEAR ITS  
MESSAGE. IN THE US PYONGYANG HAS PLACED CLUMSY ADS IN THE

NEW YORK TIMES AND PLAYED ON AMERICAN QUEASINESS OVER PARK CHUNG HEE'S REPRESSIVE RULE. THE DPRK HAS SUCCEEDED IN GENERATING SOME PRESSURE WITHIN JAPAN ON GOJ TO BALANCE RELATIONS WITH THE ROK BY MOVING TOWARD PYONGYANG, BUT NOT ENOUGH TO ALTER CURRENT POLICY. IN THE US, PYONGYANG'S OWN EFFORTS HAVE BEEN LUDICROUS BUT ROK PRESIDENT PARK, THROUGH HIS REPRESSIVE POLICIES, HAS SERVED AS PYONGYANG'S MOST EFFECTIVE AGENT. USG, HOWEVER, HAS REJECTED KIM IL SUNG'S OVERTURES.

3. ENDO ANTICIPATES THE CRUNCH FOR NORTH KOREA TO COME IN TWO TO THREE YEARS. BY THAT TIME, THE RESULTS OF PYONGYANG'S DIPLOMATIC OFFENSIVE SHOULD BE KNOWN, PARTICULARLY IN THE UN, AND JAPAN'S AND THE US' POLICIES SHOULD BE "CLARIFIED" (E.G. WE WILL HAVE PROVEN TO BE STEADFAST ALLIES OF THE ROK OR NOT). FURTHER, PYONGYANG'S ECONOMIC DIFFICULTIES WILL HAVE REACHED A CRITICAL STAGE. GAP BETWEEN NORTH AND SOUTH WILL BECOME INCREASINGLY CLEAR. PYONGYANG WILL BE FACED WITH ITS OLD DILEMMA OF WHETHER TO SEEK ACCOMMODATION WITH SEOUL OR TO STRIKE AGAINST SOUTH KOREA MILITARILY. BOTH, ENDO CONTENTED, REMAIN POSSIBILITIES, AND PERIOD WHEN CHOICE IS BEING MADE WILL BE DANGEROUS.

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ACTION EA-09

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FM AMEMBASSY TOKYO

TO SECSTATE WASHDC PRIORITY 0695

INFO AMCONSUL HONG KONG

AMEMBASSY MOSCOW

USLO PEKING

AMEMBASSY SEOUL

C O N F I D E N T I A L SECTION 2 OF 2 TOKYO 10382

4. KIM IL SUNG IS APPARENTLY EMPLOYING TWO MEANS TO COPE WITH HIS ECONOMIC PROBLEMS: (A) "SPIRITUAL INCENTIVES" TO INCREASE DOMESTIC PRODUCTION; AND (B) DEBT RESCHEDULING EFFORTS, WITH WHICH PYONGYANG IS HAVING ONLY LIMITED SUCCESS. TALKS WITH JAPAN, FOR EXAMPLE, ARE DEADLOCKED, ENDO SAID, BUT REGARDLESS OF OUTCOME OF NEGOTIATIONS, JAPAN-NORTH KOREAN TRADE IS DEVASTATED FOR TIME BEING. ENDO EXPLAINED THAT IF NK DEFAULTS AND EXPORTERS SEEK INSURANCE COMPENSATION, MAJOR TRADE RELATIONS WILL BE RUPTURED OF COURSE. BUT EVEN IF THE DEBT IS RESCHEDULED, TRADE WILL REMAIN SERIOUSLY DEPRESSED. MITI HAS ALREADY INFORMALLY ADVISED THE BUSINESS COMMUNITY NOT RPT NOT TO EVEN APPLY FOR GOVERNMENT INSURANCE FOR NEW CONTRACTS WITH NK, AND, ENDO NOTED WITH A SMILE, THERE ARE NO APPLICATIONS. UNTIL NK REGAINS A DEPENDABLE CREDIT RATING, MITI WILL MAINTAIN THIS ATTITUDE.

5. PYONGYANG'S THIRD ALTERNATIVE IS IN MOSCOW, AND IS THE ONLY REALISTIC POSSIBILITY FOR AN ECONOMIC BAILOUT. ENDO DOUBTS PEKING HAS THE RESOURCES FOR THE TASK.  
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IF KIM IL SUNG GOES TO MOSCOW, AS IS GENERALLY EXPECTED, HE WILL UNDOUBTEDLY HAVE TO PAY A HEAVY PRICE FOR SOVIET SUPPORT. MOSCOW MIGHT WELL DEMAND THAT PYONGYANG ABANDON ITS APPARENT TILT TO PEKING AND MORTGAGE NORTH KOREAN (FOREIGN) POLICIES TO THE SOVIET UNION.

6. MOSCOW'S LEVERAGE. HOW MOSCOW MIGHT USE ITS LEVERAGE OVER PYONGYANG IS OF COURSE A QUESTION OF MAJOR IMPORTANCE. ENDO SEES TWO GENERAL POSSIBILITIES: (A) MOSCOW COULD SEEK RELAXATION BETWEEN NORTH AND SOUTH KOREA BY ENCOURAGING MODERATE POLICIES ON PYONGYANG. OR, (B) MOSCOW MIGHT TRY TO MAINTAIN OR EVEN HEIGHTEN CONFRONTATION BETWEEN NORTH AND SOUTH KOREA, AND, BY EXTENSION, WITH THE US. ENDO EXPECTS MOSCOW'S APPROACH WOULD BE A FUNCTION OF THE GENERAL STATE OF US-USSR RELATIONS. HE ANTICIPATES A CONTINUATION OF THE PATTERNS OF DETENTE PURSUED BY WASHINGTON AND MOSCOW IN RECENT YEARS. HE WOULD EXPECT MOSCOW, THEREFORE, TO URGE MODERATION ON PYONGYANG. HE DOUBTS NEVERTHELESS, THAT MOSCOW WOULD GO SO FAR AS TO PRESS FOR A KOREAN SETTLEMENT SINCE THAT WOULD PROBABLY PUSH PYONGYANG BACK INTO CHINESE ARMS, REGARDLESS OF THE ECONOMIC CONSEQUENCES TO NORTH KOREA.

7. ALTERNATIVES FOR THE US AND JAPAN. NORTH-SOUTH TALKS ARE DEAD. THEY NO LONGER OFFER A VIABLE VEHICLE FOR A KOREAN ACCOMMODATION. SECY KISSINGER'S PROPOSALS ARE SOUND AND TACTICALLY WISE BUT THERE IS LITTLE CHANCE OF THEIR REALIZATION. A CONFERENCE OF THE PARTIES IS NOT POSSIBLE. A FOUR-POWER UNDERSTANDING (US-USSR-PRC-JAPAN) HOWEVER IS NOT INCONCEIVABLE, BUT ONLY IF THE MOSCOW-PEKING RIVALRY ABATES WHICH, ENDO SAID, NEITHER HE NOR THE FONOFF GENERALLY EXPECT.

8. UNDER THESE CIRCUMSTANCES, ENDO BELIEVES THAT OUR OPTIONS ARE RELATIVELY FEW. TO HIM, WE MUST SIMPLY HOLD THE LINE FOR THE CRUNCH WITHIN TWO TO THREE YEARS AND WAIT ON NEW LEADERSHIP. THIS IS THE POLICY ENDO SAID HE URGES ON FONMIN MIYAZAWA AND PM MIKI AND CONFIDENTIAL

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THE COURSE HE EXPECTS JAPAN TO TAKE. HE ALSO RECOMMENDS THE SAME TO US.

9. COMMENT: ENDO'S ANALYSIS REMAINS SIMILAR TO THAT HE GAVE AT PLANNING TALKS IN FEBRUARY WITH ONE IMPORTANT NEW FEATURE; THE NOTION THAT THE USSR MIGHT BAIL THE NORTH KOREANS OUT OF THEIR CURRENT ECONOMIC DIFFICULTY. WHILE WE HAVE NO FEEL FOR MOSCOW'S DESIRES AND INTENTIONS ON THIS SCORE (WE WOULD BE INTERESTED IN INR AND EMBASSY MOSCOW ASSESSMENTS), WE FEEL REASONABLY CERTAIN THAT THE CHINESE WOULD EXERT WHATEVER LEVERAGE THEY HAVE TO PREVENT A PYONGYANG TILT TOWARD THE SOVIETS.

10. THE COMBINATION OF NORTH KOREA'S POLITICAL TACTICS AND ECONOMIC DIFFICULTIES HAVE INHIBITED ADVOCATES IN JAPAN OF CLOSER TIES WITH PYONGYANG, ENCOURAGED THOSE WHO FAVOR UNEQUIVOCAL SUPPORT FOR THE ROK, AND MADE IT EASIER FOR FONOFF TO JOIN BATTLE AGAINST A HOSTILE RESOLUTION AT UNGA THIS YEAR. OVER THE LONGER TERM, FONOFF FEELINGS ABOUT DPRK MISMANAGEMENT ARE MIXED. SOME OFFICIALS TAKE SATISFACTION IN PYONGYANG'S POOR PERFORMANCE. OTHERS WORRY THAT PYONGYANG'S PROBLEMS MIGHT BECOME SO ACUTE AS TO TRIGGER A DESPERATE NORTH KOREAN MILITARY ADVENTURE THAT WOULD DESTROY STABILITY ON THE KOREAN PENINSULA. HODGSON

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